

## LITHUANIA

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Capital: Vilnius

GDP per capita: \$3,040

Population: 3,700,000

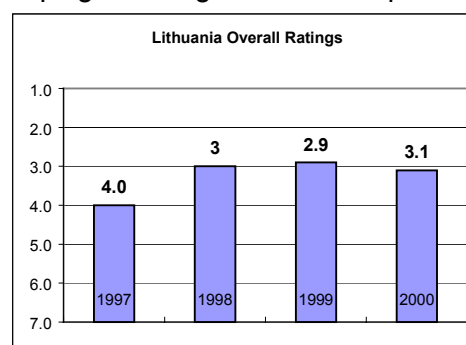
Inflation: 2%

Unemployment: 6.4%

Foreign Direct Investment: \$400,000,000

### OVERALL DESCRIPTION: 3.1

The legal framework provides Lithuanian NGOs with the basic elements necessary for development of the sector, but improvements in a number of areas are necessary. NGOs are becoming more professional, are developing their organizational capacities, and are engaging in more concerted outreach to constituents and officials alike. Public relations and improving the quality and availability of NGO services is receiving greater emphasis. Limited financial resources are a major constraint for NGOs, exacerbated by obstacles to carrying out commercial activities and insufficient traditions and local resources for philanthropy.



### LEGAL ENVIRONMENT: 4.0

The legal environment and the legislative framework for NGOs in Lithuania have not improved significantly during the past couple of years. NGOs do not have major problems registering or conducting basic activities, but the legislative framework under which they work is generally considered to be too prescriptive, relatively ambiguous and overlapping. Current NGO laws in Lithuania recognize four types of NGOs: two types of membership-based NGOs ("societal organizations" and "associations"), and two types that are property-based ("charity and sponsorship funds" and "public institutions").

Two positive recent developments include the final legislative approval of amendments to the Law on Charity and Sponsorship for NGOs, which covers

philanthropy, and an amelioration of the legal restrictions on volunteer labor/activity. Unfortunately, significant issues remain concerning implementation of these and other legal provisions.

With the support and assistance of the international donor community, NGOs are successfully engaging government authorities on both the national and local levels. Officials have become more aware of the legal needs of NGOs, and are becoming more open to the involvement of NGOs in efforts to revise the legal framework that governs their activities. At the initiative of a leading group of NGOs, the Prime Minister has created a Permanent NGO Commission, which is intended to serve as a consultative mechanism. Progress, however, has been slow. The Ministry of Social Security and Labor continues to be actively involved in NGO legal affairs, and

a number of municipalities are working more closely with NGOs in this area.

In theory, NGOs have the capacity to bid on contracts for social services provided by Municipal authorities, but the absence of legal mechanisms leaves grants as the preferred alternative. Mini-courses on NGO law have been given to law students in Lithuania's second city, Kaunas, and a legal clinic has been opened at Vilnius University, which may in the future provide services to NGOs. However, the number of lawyers trained in and familiar with NGO law is both limited and concentrated in the cities, and few NGOs can afford their services.

Most obstacles to the registration and operation of NGOs are bureaucratic in nature, and can be overcome. Financial issues are another story. Most NGOs are prohibited from directly performing economic activities, and the establishment of subsidiaries for this purpose is problematic. Tax laws are complicated, do not sufficiently distinguish NGOs from for-profit entities, and are strictly enforced. NGOs are exempt from taxes on charity and support that they receive, and can often get VAT reimbursed. They are also entitled to a preferential lower rate of tax on income. When legal entities give charity or sponsorship in an amount up to 20% of their profits, they are entitled to deduct double this amount, but there are complications in practice. Individuals can, in theory, receive an income tax concession of up to 100%, but because most taxes are deducted directly by the employer, there are no mechanisms to take advantage of this possibility.

### ORGANIZATIONAL CAPACITY: 2.5

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Many of the more prominent and active NGOs are aware of their organizational and management needs, and are able to obtain appropriate local training to strengthen the organization and promote sustainability. NGOs understand that professionalism yields better results.

Major NGOs often have all of the components of a sound institution, such as a board of directors, volunteers, and paid staff. Many NGO representatives have had training in strategic planning and fund raising, and have defined missions and financial goals. Larger NGOs have professional financial management staff, perform monitoring/oversight, and pay attention to their financial reporting systems.

Several donors have worked to increase the level of training and technical assistance available to NGOs. There is now a small cadre of capable Lithuanian trainers who are fully able to train NGO leaders, if and when funding for their services is available. Most NGOs are not able to afford to pay for such services without donor support. More readily useful are the informational and training materials now available in the Lithuanian language.

The level of professionalism and experience among people involved in NGO activities is continuing to increase. There are more volunteers interested in NGO activities, and they are often better educated, despite the legal obstacles that, if taken literally, require NGOs to pay social services taxes on the market value of volunteer labor.

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received. Most major NGOs have basic modern office equipment at their disposal, such as computers and fax machines, and access to the Internet.

Most small and local NGOs still do not realize that business-like management is crucial for success. Consequently, they are often reactive rather than proactive. Boards of directors and volunteer

programs do not function as efficiently as they should. These NGOs face management and organizational difficulties. Further, they often do not have access to modern technology, except through NGO support centers. These conditions increase the level of isolation of NGOs outside of the major urban centers, and reduce their efficiency.

### FINANCIAL VIABILITY: 4.0

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The financial challenges facing Lithuanian NGOs continue to increase. Several major government and international donor sources have reduced their budgets. The economic climate is uncertain and only slowly improving. On the positive side, NGOs are working to diversify their funding sources to include more local and national government and private sources, in addition to international donors. Local governments are becoming more aware of the financial needs of local NGOs, and the ways that NGOs can use public financing to provide services.

However, financial resources are usually limited, and funding can be inconsistent

or intermittent. Much funding still comes from foreign donors, which means that activities are too often donor-driven and many donors are reducing their support for Lithuanian NGOs. Due to budgetary problems, the Lithuanian government has significantly reduced or at least delayed its financial support for NGOs.

The prohibition of direct commercial activities is a major constraint to raising revenues, and establishing for-profit subsidiaries is no simple matter. Continuing practical obstacles to voluntary labor limit an important source of support, namely the time and energy of interested individuals. Finally, the low volume of personal and corporate philanthropy is extremely problematic.

### ADVOCACY: 2.0

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Public policy advocacy has become a working concept for many NGOs. The dialogue between NGOs and government institutions is continuing to broaden and become more open and constructive. Seminars and conferences involving the NGO community and government officials have become more frequent. On the national level, the Parliament modified its rules to allow open hearings concerning draft legislation, and NGOs now provide input to parliamentary committees on a regular basis. There are a number of concrete examples of NGOs influencing the final content of laws. On the municipal level, NGOs and coalitions of NGOs (sometimes formal but more often informal) are having frequent interactions with officials, and influencing policy

development and regulatory and decision-making processes.

Not all government institutions recognize that NGOs possess considerable expertise to assist them in drafting legislation, implementing programs and providing services. Some institutions have yet to acknowledge NGOs as active partners in the decision-making process.

Information concerning governmental processes and draft legislation, while much more accessible, is still not widespread. Many NGOs, particularly in rural areas, are simply unaware of the possibilities that now exist, and how to take advantage of them.

### SERVICE PROVISION: 3.5

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Recent legislative changes have in theory made it easier for municipal governments to award funding to NGOs for providing social services. Municipal authorities are becoming interested in working with NGOs to provide services to their constituents, although the absence of implementing mechanisms creates a serious constraint. While the types of services provided has tended to be narrow, there are signs that the variety and coverage of NGO services is growing. NGOs are developing greater capacity to reach out to both the authorities and their constituents, which is increasing the visibility of NGO provided service programs and enhancing their ability to provide services.

The financial resources available to municipal authorities are extremely limited, as is their control over their

budgets and revenues. This in turn limits the funding and opportunities available to NGOs from local governments. Additionally, when it comes to service provision, NGOs face difficulties in competing with governmental entities. Since NGOs receive only project funding, they have few means to cover administrative expenses, or provide for development of the organization. This problem is compounded by the general inability of NGOs to offset their costs through charges for services, and cost sharing. Recently, there has been some progress in opening up governmental processes, but they are not as transparent as they could or should be. The interest of governmental authorities in consulting with NGOs concerning policy development and regulatory activity, while increasing overall, varies greatly from one location to another.

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### **INFRASTRUCTURE: 3.0**

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NGOs are starting to form more coalitions, usually within their specific sectors of activity and around specific issues, but occasionally on the national level as well. NGO resource centers are serving as resources for information, training, fundraising, and networking activities. While there are only a handful of major resource centers, the needs of the NGO community are generally being met.

Modern technology has opened new doors for NGOs to cooperate and share information. NGOs have greater access to training and expertise from local sources. Among the most popular subject areas are strategic planning, fundraising, financial management, constituent

services, public relations, media relations, and advocacy. There are national and local publications for the NGO sector.

Traditions of cooperation and sharing between NGOs are developing slowly. Many NGOs do not appreciate the benefits of collective action, and prefer to focus on parochial interests. The competitive processes for obtaining limited funds exacerbates this individualism. While one national coalition has been formed, most such institutions have a more limited mandate. The NGO resource centers are cooperating closely, but they are not financially self-sustaining, since it is difficult to collect fees for their services, due to legal restrictions and limited resources on the part of NGOs.

### **PUBLIC IMAGE: 3.0**

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Media coverage of NGOs continues to expand slowly. At the local level, media interest in the activities of NGOs has grown considerably. More municipal officials view NGOs as potential partners and effective service providers, and are willing to learn about their work and consult with them. There is less public suspicion concerning the activities of NGOs. A larger number of NGOs actively publicize their activities, and promote their image and services. NGOs are organizing highly visible public events, such as NGO forums, fairs, and international conferences. NGOs continue to receive more training concerning public relations and working with the media.

However, the public is still far too often unaware of or even indifferent to the activities of NGOs. While there has been progress, NGOs rarely publicize their activities on a national level. Further, the national media is far less likely than the local media to publicize NGO successes, as opposed to scandals. Cooperation between governmental institutions and NGOs is still constrained by perceptions concerning conflicts-of-interest, which are exacerbated by the tendency to overplay instances of misconduct. There is still a need to increase NGO transparency and self-regulation, and to establish a Code of Ethics for the sector.